

GUIDE TO READING THE OPERATING BUDGET

This section explains the format and contents of the FY2004 Budget document. The major sections of the budget are described below.

THE MAYOR'S BUDGET MESSAGE

The Mayor's budget message to the City Council outlines the priorities upon which the FY2004 Budget was prepared. Service highlights and significant changes are discussed.

SUPPLEMENTARY INFORMATION

This section provides a City of Houston fact sheet with leading economic indicators, the authorization for the budget, and a detailed discussion of the budget methodology. An economic forecast, overview of the budget, overview of funds, and financial and budgetary policies are also presented. Summary information for all funds is presented by department.

GENERAL FUND

This section includes a fund summary, a General Fund resources summary, and a General Fund expenditure summary. These summaries are followed by General Fund departmental operating budgets.

The General Fund departments are grouped by function. The functions and their component departments are as follows:

PUBLIC SAFETY AND JUSTICE

- o Fire
- o Municipal Courts/Administration
- o Municipal Courts/Justice
- o Police

HUMAN AND CULTURAL SERVICES

- o Health and Human Services
- o Library
- o Parks and Recreation

DEVELOPMENT AND MAINTENANCE SERVICES

- o Building Services
- o Planning and Development
- o Public Works and Engineering (PWE)
- o Solid Waste Management

ADMINISTRATIVE SERVICES

- o Affirmative Action
- o City Council
- o City Secretary
- o Controller's Office
- o Finance and Administration
- o Human Resources
- o Information Technology
- o Legal
- o Mayor's Office

GENERAL GOVERNMENT

At the beginning of each functional group, a summary briefly describes each department's purpose and highlights changes in the FY2004 budget from the previous fiscal year. A historical chart of actual expenditures is included for each function.

The functional summary is followed by a brief departmental narrative that outlines the department's responsibilities, budget, and service level. A departmental organization chart shows divisions and/or programs with staffing and expenditure levels and the Advantage 2.0 System (ADV2) code reference. Also included is a graph that presents a nine-year departmental expenditure history and the adopted budget. Within a departmental summary, related totals may vary slightly due to rounding.

- o Department/Budget Summary

This form includes summaries of expenditures, revenues, staffing levels for the FY2002 Actual, FY2003 Budget, FY2003 Estimate, FY2004 Budget and FY2004 highlights of services or new programs. The FY2003 Estimate (FY2003 Projected) is based on the March 2003 Monthly Financial and Operations Report (MFOR) for general, enterprise, special revenue, and internal service funds.

- o Programs by Department

This form summarizes departmental program objectives, expenditures, staffing levels, and performance measures for the FY2002 Actual, FY2003 Estimate, and FY2004 Budget.

- o Personnel Summary

This schedule lists positions by job classification code. The total is adjusted to full-time equivalents (FTEs).

- o Department Expenditure Line Item Detail

This form provides department expenditure information by line item for the FY2002 Actual, FY2003 Budget, FY2003 Estimate, and FY2004 Budget.

ENTERPRISE FUNDS

The City of Houston has three Enterprise Fund operations: Aviation, Convention and Entertainment Facilities, and Public Works and Engineering - Public Utilities. These funds have the same budget presentation as described for General Fund departments, with the exception of the Fund Summary that follows the departmental narrative. Aviation and Public Works and Engineering - Public Utilities have separate funds for the purchase of capital outlay items. These funds are the Airport Capital Outlay Fund and the Public Utilities Capital Outlay Fund, respectively. In general, the Fund Summary includes the following items for the FY2003 Budget, the FY2003 Estimate, and the FY2004 Budget:

- o Beginning fund balance/equity
- o Current revenues and other sources
- o Maintenance and operating expenditures/expenses
- o Other expenditures/uses
- o Operating reserve
- o Planned ending fund balance/equity
- o Total budget

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for the proceeds of specific revenue sources, which are restricted to expenditures for specified purposes. In FY2004, the Special Revenue Funds include the following:

- o Asset Forfeiture
- o Auto Dealers
- o Building Inspection
- o Cable Television
- o Child Safety
- o Houston Emergency Center
- o Houston TranStar Center
- o Municipal Courts Building Security
- o Municipal Courts Technology Fee
- o Parks and Recreation Special Revenue
- o Police Special Services
- o Sign Administration
- o Stormwater Utility
- o TxDOT Signal Maintenance

INTERNAL SERVICE FUNDS

Internal Service Funds are established for the purpose of providing services to City departments on a cost-reimbursement basis. Services provided by personnel in this fund type are charged to the department receiving the services. The Internal Service Funds section includes the following operations in FY2004:

- o Health Benefits
- o Long-Term Disability

The presentation format for the Internal Service Funds is identical to the Enterprise Funds.

EQUIPMENT ACQUISITION

The Equipment Acquisition Program is not subject to the annual budget cycle. The equipment in this program is financed by the issuance of Commercial Paper (CP). A separate appropriation is established after the issuance of CP.

REVOLVING FUNDS

Revolving Funds are also established to provide services on a cost-reimbursement basis and as an administrative convenience. Generally speaking, supplies and services are delivered or acquired on behalf of a department, which is later billed. For example, the Central Services Revolving Fund pays the electrical bills for departments and is then reimbursed. This procedure also allows for the accurate allocation of costs by department and fund by using the modified accrual basis of accounting. These funds are sub-funds of the General Fund.

The Revolving Funds section includes the following operations in FY2004:

- o Central Services
- o Fire Reconstruction
- o Fleet Management
- o Property and Casualty
- o Workers Compensation

The format for the Revolving Funds is identical to the Enterprise Funds.

DEBT SERVICE FUNDS

This section consists of a narrative explaining the purpose of these funds, highlights of the FY2004 Budget, the reserve policy, and Fund Summary tables. In addition, this section includes the Annual Financing Plan (AFP), which outlines the proposed schedule for various debt issuances in the upcoming fiscal year.

TAX INCREMENT REINVESTMENT ZONES

Since FY1991, twenty Tax Increment Reinvestment Zones (TIRZ) have been created. As development occurs in each zone, the taxes generated by the increase in value attributable to those improvements, or "tax increments", are captured in separate funds set up for each TIRZ. TIRZ funds are then used to pay for approved project costs. Examples of typical costs include infrastructure improvements in water, sanitary sewer, and storm water systems; lighting; paving on public right-of-way; streetscaping; and impact fees. Contributions from other taxing jurisdictions participating in the TIRZ are collected by those jurisdictions and sent to the City for deposit in the TIRZ funds. Harris County and the Houston Independent School District (HISD) are participating in sixteen of the twenty TIRZs. The Department of Planning and Development administers the funds.

APPENDICES

This section includes the glossary which defines key budget terms and expenditure line item details for the General Fund, Enterprise and Special Revenue Funds, and Citywide funds. These include line item details for the FY2002 Actual, the FY2003 Budget, the FY2003 Estimate, and the FY2004 Budget.

A departmental cross reference is included in the appendices. This is an alphabetical listing by department, of all funds and where they are located in the FY2004 Operating Budget, by section, and page number. Also included is a summary of the FY2004 City Council actions as well as the FY2004 Budget Ordinance.